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FOREIGN AGRICULTURE REPORT
OFFICE OF
FOREIGN AGRICULTURAL RELATIONS
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

EXPORT OUTLOOK FOR UNITED STATES FATS, OILS, AND OILSEEDS IN SELECTED EUROPEAN COUNTRIES

MAR 22 1950
U.S. DEPARTMENT OF AGRICULTURE

by

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OREIGN AGRICULTURE REPORT No. 44 DECEMBER 1949

ACKNOWLEDGEMENT

The author acknowledges the assistance of Paul E. Quintus and Olav F. Anderson of the Fats, Oils, and Rice Division, Office of Foreign Agricultural Relations, for invaluable assistance in the preparation of the manuscript and for supplying statistical data. He expresses his appreciation to the agricultural officers in each of the countries surveyed. These include Agricultural Attaches Jerome T. Gaspard, Brussels; Robert N. Anderson, Prague; Harry LeBovit, Copenhagen; John E. Stewart, and Agricultural Vice Consul Richard C. Desmond, Paris; Agricultural Attache Paul O. Nyhus, and Assistant Agricultural Attache William Kling, London; Agricultural Attaches William C. Ockey, Frankfort; Horace G. Bolster, The Hague; Howard R. Cottam, Rome; and various members of their respective staffs.

He expresses his appreciation also to Mr. Gwynn Garnett and various personnel of the Food and Agriculture Division of the U.S. High Commissioner's Office for Germany, Frankfort; to Dr. Ben H. Thibodeaux and the personnel of the Food and Agriculture Division of the Economic Cooperation Administration, Paris; and to the Food and Agriculture representatives of the ECA staffs in seven of the eight countries visited. In addition, he conveys his appreciation to foreign government officials and businessmen in the countries surveyed who furnished valuable information.

FOREWORD

American farmers have a tremendous stake in foreign trade. Cotton, wheat, and dried fruit exports last year equaled about one-third of our production, tobacco one-fourth of production, and rice, and dried peas almost one-half. Among the fats, oils, and oil-bearing seeds, the export market was also of prime importance as a basis for maintaining a high level of production and preventing further declines in American farm prices. In the case of soybeans for example, the equivalent of 63 million bushels was exported during 1949 in the form of beans and oil, accounting for one-third of this rapidly expanding crop. Similarly, one-third of our peanuts, in the form of nuts and oil, was sold in foreign markets, and one-fourth of our lard followed the export route.

Western Europe has provided the most important export outlet for fats and oils from the United States. With expanding production at home and further increases in exportable surpluses in prospect, the advisability of obtaining first-hand information on the future export demand from Western Europe became increasingly apparent. Accordingly, this study was undertaken in the interests of American farmers to observe the trends in production and consumption of fats and oils in the countries surveyed, to appraise their dependence on imports, to evaluate their alternate foreign sources of supply and, finally, to analyze their ability to pay dollars for fats and oils from the United States.

This study was made by Dr. L. J. Norton, Agricultural Economist, on leave from the University of Illinois, and is based on interviews with farmers, retail and wholesale grocers, representatives of the fats and oils trade, government officials and others in the United Kingdom, Denmark, The Netherlands, Belgium, Italy, France, Czechoslovakia, and Western Germany.

The study was conducted under the provisions of the Research and Marketing Act of 1946. The possibilities of broadening the foreign market for other agricultural commodities also are being studied by this Office, and the findings are presented in other circulars and reports that may be obtained free from the Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington 25, D.C.

Joseph A Becker

Joseph A. Becker, Chief
International Commodities Branch

February 1950

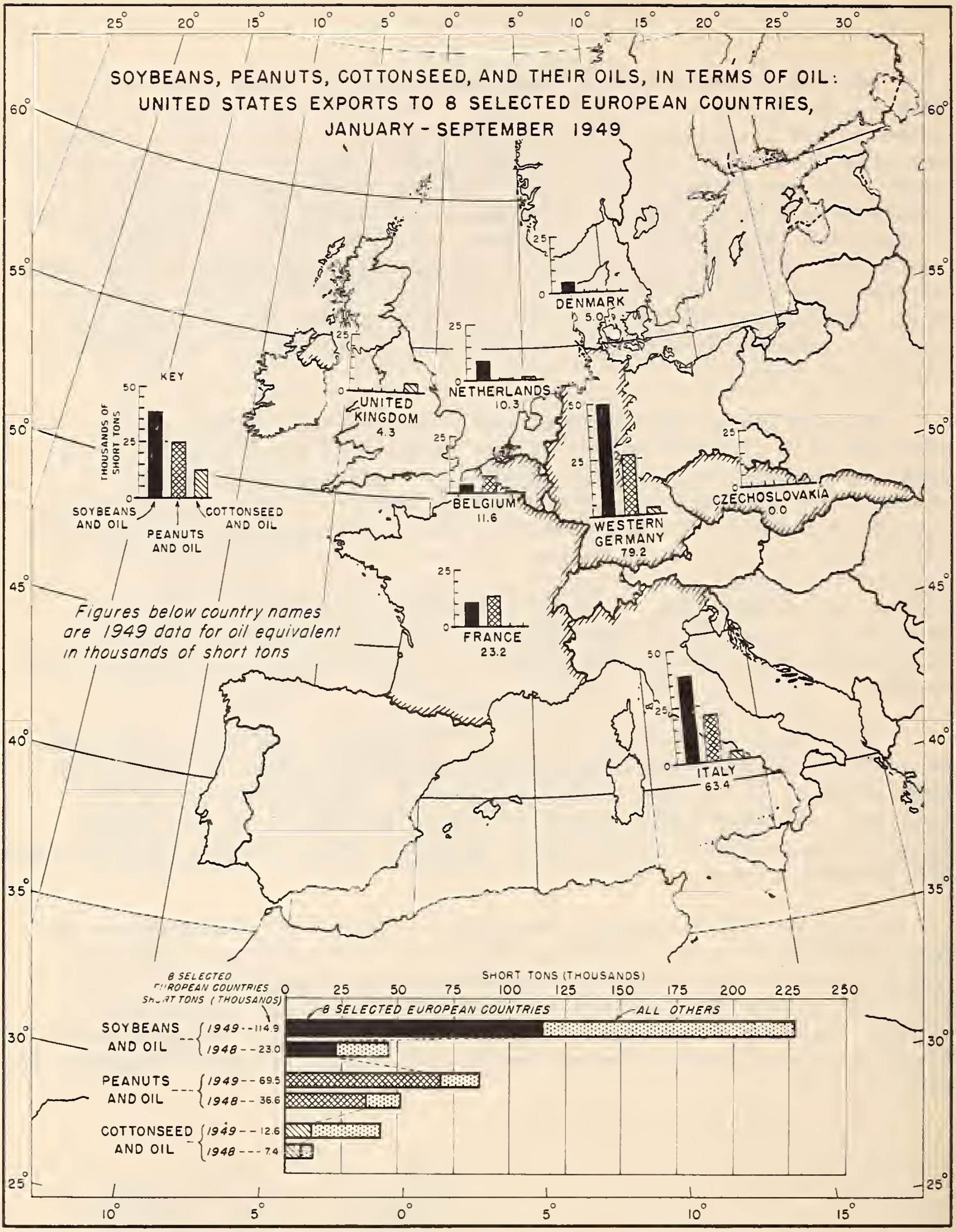

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FIGURE 1. - Edible vegetable oils and oilseeds from United States farms were exported in huge quantities - totaling nearly 360,000 short tons in terms of oil - to foreign markets in the first 9 months of 1949. The principal outlets were Western Germany, Italy, and France - those 3 countries taking nearly 85 percent of the total volume going to the countries studied.

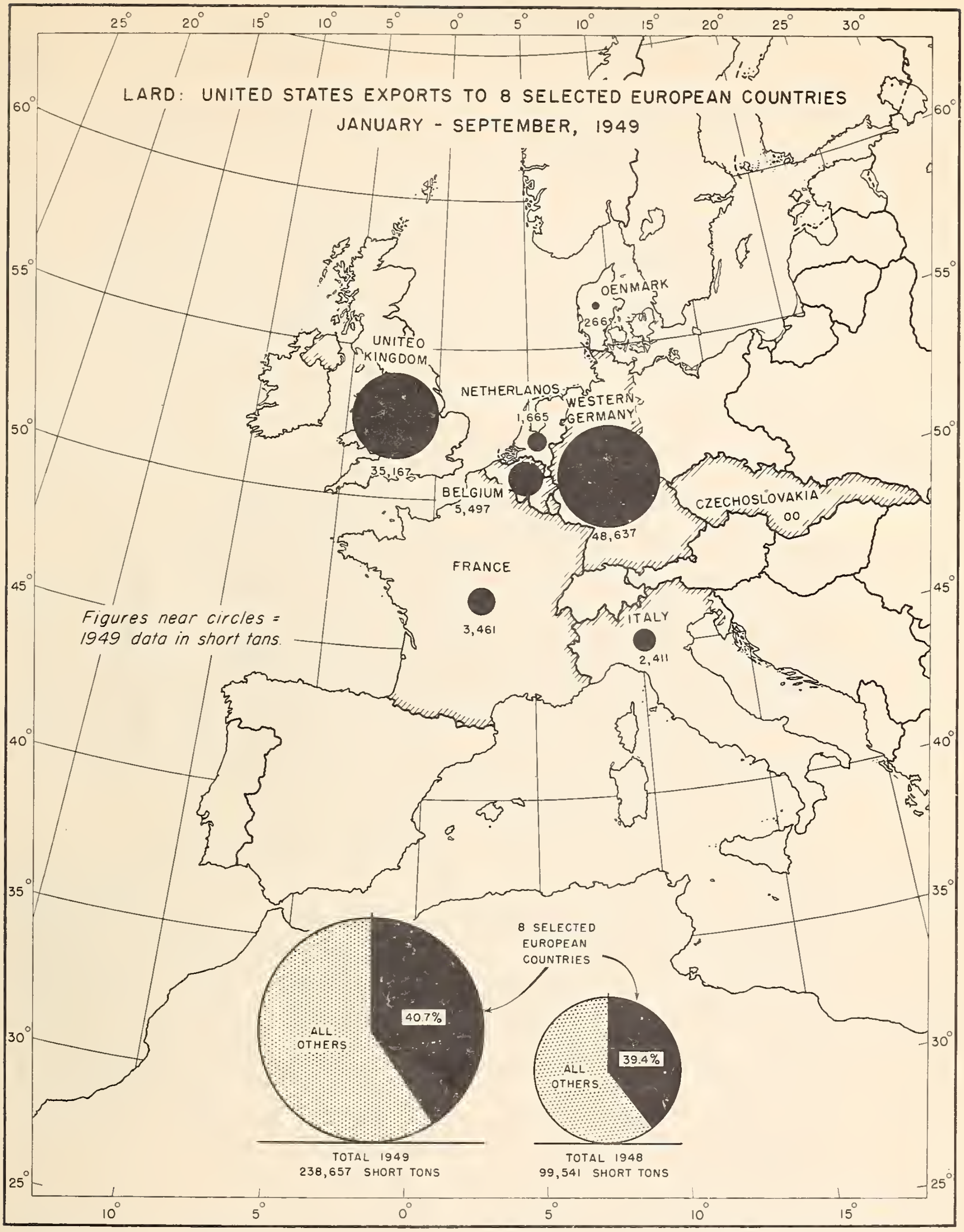

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FIGURE 2. - Lard from the United States was exported in large volume in the first 9 months of 1949 when nearly 240,000 short tons left American shores, almost 2½ times the amount exported in the comparable period of 1948. Of the countries surveyed, Western Germany and the United Kingdom were the major outlets together purchasing about 85 percent of the total lard exported to those 8 countries.

A fairly large quantity of U.S. lard will be shipped to Western Germany and smaller quantities to a few of the other countries. Inedible tallow and greases will be sold to a number of European countries because of their low cost, the continuing need for expanding output of soap which is still rather scarce and high in price, and shortages of other fats available for soap.

Some of these European countries would like to buy soybean oil or some other soft oil--such as peanut or cottonseed--to use in margarine. Supplies of these soft oils are still short in non-dollar areas, primarily because of the virtually complete elimination from West European markets of Manchurian soybeans and the sharp decline in shipments of Indian peanuts and peanut oil as compared with prewar. Demands for this purpose are likely to be strongest from Western Germany, The Netherlands, Denmark, and Belgium. The importation of soybeans or peanuts in the form of seed has the advantage of providing materials for crushing industries as well as high protein feed for livestock. Denmark and The Netherlands would at this time attach greatest importance to the feed consideration. Italy will desire some edible vegetable oils, primarily as a supplement to olive oil. The United Kingdom has access to sufficiently large non-dollar supplies of oilseeds, oils, and oil meals so that in view of its dollar position, that country is not likely to be a customer for U.S. supplies.

A factor which tends to make U.S. products less attractive to several of these countries than a few months ago is the currency devaluations which took place in September 1949. Fats, oils, and oilseeds with the same dollar cost as previously must now be priced higher in the currency of a given importing country. For example, the 30.5 percent devaluation of their currencies in relation to the dollar by the United Kingdom, Denmark, and The Netherlands makes their internal prices of a United States commodity bought at the same dollar price 44 percent higher. Such higher prices obviously tend to retard the internal use of the product and to cause the country to turn to non-dollar sources of supply wherever possible.

Europe as a long-run market for U.S. fats, oils, and oilseeds must be considered in the light of the following factors: (a) the population of the ERP countries is 10 percent greater than before the war; (b) these peoples and their governments desire to improve their standards of living, including their diets; (c) their domestically-produced supplies of animal fats, including butter, will tend to increase but not sufficiently to permit per capita consumption to return to the prewar level for some time; (d) supplies of vegetable oils in non-dollar areas available for purchase by European countries will gradually increase although supplies of the hard oils--coconut and palm--are likely to increase faster than supplies of the soft oils.

Considering current physical requirements and supplies, these countries as a group want to continue buying U.S. fats, oils, and oilseeds although in somewhat smaller quantities than in 1948-49. Western Germany will find it most necessary to buy rather substantial quantities in the United States. The question of how to arrange payment, however, will be of very great importance. In 1949-50 the United States is making available to the ECA 2/ countries something over 4 billion dollars. As this aid declines from year to year and ends June 30, 1952, some fundamental changes in the export pattern of the United States must be made. Dollar earnings of these countries will likely increase but some reduction must be made in imports from the United States. In view of the basic importance of fats in the standard of living in these countries, a strong effort will be made to continue the purchase of fats in the United States, provided adequate supplies are available at reasonable prices. Currently, there are large supplies of fats, oils, and oilseeds in the United States available for export and prices are far lower in relation to prewar than for any of the other major commodity groups. In November 1949 the index of U.S. wholesale prices of 26 major fats and oils (excluding butter) was only 38 percent above the 1935-39 average. In the battle for exports, U.S. fats, oils, and oilseeds will continue to hold a rather high priority in some countries unless production of the particular products that are in surplus supply in the United States--animal fats and soft oils or oilseeds--increases faster in non-dollar areas than now seems likely. Persons in the United States who may be interested in exporting these products should watch carefully production trends in non-dollar areas.

SHORT-TIME EXPORT PROSPECTS

The volume of animal fats, oilseeds, and vegetable oils that will be imported from the United States in the fiscal year 1949-50 by the ERP countries included in this survey will depend to a large extent on the allocations of ECA and, in the case of Germany, GARIOA 3/ dollars for these items. Comparatively few commercially earned dollars will be spent for fats and oils. Decisions relative to the immediate expenditure of scarce dollars will depend on many considerations, among them: (1) the level of fats and oils consumption which the respective countries can afford; (2) the volume of fats and oils produced at home; (3) the availability of supplies in non-dollar areas; (4) internal price and import policies; and (5) the effects of currency devaluation in the ERP countries.

Large quantities of fats, oils, oilseeds, and oil cakes and meals were included in the original tentative ERP country program plans for 1949-50 submitted to the OEEC 4/ in June 1949. The plans provided for purchase in

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2/ Economic Cooperation Administration.
3/ Government and Relief in Occupied Areas.
4/ Organization for European Economic Cooperation.

the United States, with ECA funds totaling $177,000,000, about 183,000 short tons of fats and oils; 604,000 tons of oilseeds; and 334,000 tons of oilcakes and meals.

Since these programs were submitted, total ECA funds have been reduced and the various countries have revised their figures. The programs for fats and oilseeds likely will be reduced, therefore. Should fats become more scarce in these countries than at present (November 1949) and should prices begin to advance internally, it is conceivable that some of these countries might buy more U.S. fats and oilseeds than they now plan to buy. But it is probably much more realistic to assume that the original program substantially overstated the quantities that will be purchased. According to a well informed European oilseeds man, the original tentative requests should be considered "wish figures."

An initial over-all request does not mean a final purchase. There is intense competition for ECA dollars within each country--both among the various foodstuffs and between other raw materials and industrial goods. Within the food sector the main competition is among bread grains (a high priority item), feed grains (which mean more home grown animal foods), fats and oils, sugar, and to a lesser extent dairy products. The foreign officials who recommend the use of ECA funds in each country balance the various needs against developing conditions. In making final decisions with respect to approving dollar expenditures, they apparently give the most weight to the 5 factors mentioned above on which elaboration is made here:

1. Level of domestic fat consumption which countries can afford

The use of funds for fat supplies under the ECA program, which seeks fundamentally to achieve economic recovery, can be justified only to the point where it provides an adequate quantity of fat in the diet or contributes to a level-of-living cost which aids in wage stability and improves labor morale. To maintain or establish a luxury level of consumption cannot be justified.

Among these countries Belgium, Italy, and The Netherlands do not ration fats. France rations table oil.[5] Denmark rations margarine and butter in order to make butter available for export. Only Czechoslovakia, Germany and the United Kingdom maintain general rationing for fats. In the United Kingdom where rationing is effective, each customer is registered with an individual store and the shopkeeper has to guarantee the ration to each customer and is furnished with supplies to do so. Even the United Kingdom provides some elasticity by allowing expensive table oil or sweet fat to be sold ration free. It is the general opinion in Germany that the rationing system is breaking down and there is said to be a black market of considerable proportions. No measure of the effectiveness of the system in Czechoslovakia was obtained, but alongside the rationed supplies sold at low prices there is a legal free market where butter could be purchased in September 1949 for the equivalent of $3.55 a pound in terms of U.S. money at the official rate of exchange.

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[5] Information made available to the Office of Foreign Agricultural Relations early in December indicated that table oil was recently placed on free sale in France.

Where there is a rationing system, an effort is made to procure supplies to cover ration requirements. But where there is no rationing, the volume of fats available for consumption still may be controlled by imports. So far as supplies from the United States are concerned, release of ECA dollars for purchases is an effective means of control. Purchases from other countries depend largely on allocation of funds by the respective national banks from the balances built up under various trade agreements. So, in any case, imports are controlled. A country which does not want consumption of an American fat to increase simply may refuse to buy or to grant import licenses.

2. Quantities of fats and oils produced domestically

Home production may consist of oilseeds, butter, slaughter fats, and, in Italy and France, olive oil. Production of olives, like other crops, is influenced by climatic conditions and insect infestation. The 1949 olive crops are large, which will mean a large oil output in 1950, but since olive trees generally bear in alternate years the 1950 olive harvests are expected to be smaller.

All of the countries studied except Belgium and Italy have a policy of promoting domestic production of oilseed crops by a system of support prices, or, as in Czechoslovakia, by prescribing definite farm plans to which each farmer must agree. The principal European oilseed crop is rapeseed (or colza and navette) with flaxseed of lesser importance. Sunflower seed also is grown in Czechoslovakia. Production of these crops was good in 1949. Price support levels are being scaled down, but a policy of encouraging production is likely to be continued until the current shortage of soft oils in non-dollar areas is relieved. Admittedly home production provides high cost oils and, except where yields are very favorable, oilseed crops are not popular with farmers. But above all they can be paid for with national currencies.

More important than the vegetable oils are the increases in production of slaughter fats and butter. A basic reason for the low level of fat consumption in Western Europe compared with the prewar years is the low postwar level of animal fat production. This reflects wartime losses in livestock, reduced production of feed grains and forage due to the shortage of fertilizers, generally poor growing conditions up to 1948, and a reduction in feed imports.

Since the good harvest of 1948 and with larger imports of feed grains, there has been a rapid upturn in livestock production. More butter is being produced, cattle are being sold at heavier weights, and there has been an especially marked rise in hog numbers. This is true everywhere, from Italy to Denmark and from the United Kingdom to Czechoslovakia. Supplies of meats are increasing and therefore supplies of slaughter fats, whether rendered or not, are rising. In fact, Italy and France had in the summer of 1949 what the local trade called a "crisis" in their hog markets with sharply lower prices.

In the year ahead, livestock numbers and animal fat production likely will continue to increase. There appears to be several reasons why European farmers want to increase livestock production: (a) in general livestock operations have been profitable, although the full effect of devaluation, if allowed to work itself out, may end this (see page 7 for further discussion); (b) livestock production has been the best hedge the farmers have had against inflation although falling prices may also end this quickly; (c) the European farmer is, in general, a small farmer and must have livestock to develop a business of adequate size; (d) manure plays an enormous role in maintaining European crop yields and the more livestock the better the yields; (e) feed has been available in fair quantities since mid-1948. With good crops of grain and forage in 1949 except as these were affected by the late summer droughts, with supplies of feed available in North America, and with ECA dollars to purchase some feed in the United States, feed supplies will continue to be fairly ample in Europe for at least another year. The shorter European potato crop in 1949 will be the principal deterrent to expanded hog production.

As noted hereafter in the discussion of long-time prospects, informed European opinion is that it will be years before the prewar level of livestock production can be restored. Nevertheless, in the short run, food authorities can be certain that indigenous fats in Europe are available in greater quantities than at any other time since the war. This is reflected in prices for livestock and feed grains.

In early October hogs were selling on the Belgian markets at 16-20 Belgian francs a kilo (14.5¢-18.1¢ per pound). The top price of 20 francs was for good 220-pound hogs. Simultaneously, dressed hogs were selling for 23 francs (20.8¢) and domestic lard for 18 francs a kilo (16.3¢). These prices reflect an adjustment to larger supplies of hogs and of meats. At the same time Belgium, with a hard currency, was drawing cattle from Denmark, Ireland, Hungary, and Rumania, which were selling for 18-20 francs per kilo (16.3¢-18.1¢) for average quality, and 25 francs (22.6¢) for top quality.

Corn from the United States at that time was quoted in Antwerp for November delivery at 3,000 francs a metric ton ($54 per short ton) or $1.50 a bushel. When this corn is distributed to farmers it will cost more, but at wholesale prices the hog-corn ratio was 12 to one. Purchase of corn for feeding hogs still would be profitable but less so than before the decline in hog prices. With variations for local conditions, hog prices will be less attractive than they have been and this will slow up the increase in hog numbers. In the European countries which import feed it is not a matter of using up home-grown grains, as in the Corn Belt of the United States. It is a matter of deciding whether it is profitable to import feed grains.

3. Availability of supplies in non-dollar areas

The policy in all of the countries studied is to try to procure supplies of fats, oils, oilseeds, and other needed agricultural products in non-dollar areas and save their dollar credits for procurement of goods not obtainable in soft-currency countries. The most extreme case is the United Kingdom which has scheduled no purchases of fats, oils, and oilseeds in the United States in 1949-50. All of its supplies are to be obtained within the area where purchases can be made with sterling.

There are large supplies of fats and oils in non-dollar areas although less, in total, than in prewar. This is not true of lard, however, and apparently the very low prices of lard, tallow, and greases in the United States override the reluctance to use dollars. It is mainly in connection with soft oils needed in the European margarine industry that the great shortage of vegetable oils exists under present conditions. Europe therefore finds it desirable to buy American soybeans and peanuts or oils. Two great gaps have been created in the European vegetable oil supply by the loss of Manchurian soybeans and oil and of Indian peanuts. This is one reason why soybeans loom large in discussions of import requests from the United States.

4. Internal price and import policies

The volume of fats, oils, and oilseeds imported by European countries also will be influenced by the countries' internal policies. A country which operates under a system of import licenses obviously may limit the importation of a particular product. France, for example, was not granting import licenses for lard in late September 1949. In Germany, an extreme case, and where internal prices are high, the internal wholesale prices of all edible fats and oils are equalized. In September 1949 prices were equalized at 2,600 DM a metric ton ($562 per short ton) regardless of cost. With lard delivered at 15 cents a pound c.i.f., or 1,389 DM per metric ton ($300 per short ton), the mark-up in price would equal 1,211 DM per metric ton ($262 per short ton) at 4.2 marks per dollar.6/ The earnings to the German import agency from this procedure are turned into an equalization fund used to reduce the cost of bread to the consumer by absorbing part of the difference between the price paid for U.S. wheat and the lower fixed price for German wheat.

5. Effects of devaluation

The sharp devaluation in the currency of many of these countries in relation to the dollar made prices of U.S. fats, oils, and oilseeds less attractive than before. This was not because they cost more dollars but because they represented more British pounds, Danish kroner, Dutch guilders,

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6/ The Deutsche Mark in Western Germany was devalued September 29, 1949, from the equivalent of 30.0 cents (U.S.) to 23.8095 cents. This devaluation was retroactive to September 19.

TABLE 1. SOYBEANS AND SOYBEAN OIL (crude and refined): U.S. exports as beans, oil, and in terms of oil equivalent to 8 selected European countries, and all others, 1948 and January-September, 1948 and 1949

(Short tons)

Country	1948			January-September 1948			January-September 1949		
	Soybeans	Soybean oil (crude and refined)	Total soybean oil equivalent	Soybeans	Soybean oil (crude and refined)	Total soybean oil equivalent	Soybeans	Soybean oil (crude and refined)	Total soybean oil equivalent
Belgium...........	29,354	4,771	9,174	16,388	4,771	7,229	3,725	3,149	3,708
Czechoslovakia....	-	-	-	-	-	-	-	-	-
Denmark...........	6,057	3,331	4,240	-	2,323	2,323	30,171	-	4,526
France............	41,555	2,509	8,742	-	2,509	2,509	44,229	3,430	10,064
Germany (Western).	8,167	7,845	9,070	7	7,845	7,846	182,096	22,176	49,490
Italy.............	130	242	262	130	220	240	25,546	34,678	38,510
Netherlands.......	14,516	878	3,055	-	426	426	35,546	3,061	8,393
United Kingdom....	-	3,400	3,400	-	2,476	2,476	1	191	191
Sub-total....	99,779	22,976	37,943	16,525	20,570	23,049	321,314	66,685	114,882
All other countries	95,133	18,541	32,811	53,036	14,315	22,270	243,650	76,203	112,751
Total........	194,912	41,517	70,754	69,561	34,885	45,319	564,964	142,888	227,633

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions.

or German marks. Assume that a ton of soybean meal, prior to devaluation, cost $60 a ton or approximately 300 Danish kroner; after a 30.5 percent devaluation of the krone, the same U.S. dollar price now represents about 432 Danish kroner. As a feed for his livestock this product now becomes less attractive to the Danish farmer. With the price of livestock and livestock products tending downward as supplies increase, it is impossible to pass on this higher price in at least the short run. This example also illustrates how devaluation raised the internal prices of fats and oils. The countries affected in this report were the United Kingdom (30.5 percent devaluation); Denmark (30.5 percent); The Netherlands (30.5 percent); Western Germany (21 percent); and Belgium (12 percent). Adjustments made in the free rates in France and Italy also make internal prices in goods bought with dollars somewhat higher. Exports of soybeans and oilseed meals and cakes probably will be affected more by these changes than will exports of fats and oils as the latter are needed for direct food use and in some countries the system of arbitrary internal prices permits the effect of devaluation to be absorbed without an increase in the consumer price. The German example noted above is an illustration.

Summary of 1949-50 prospects: With all the internal programs taken into consideration, the costs of the quantities of American fats needed to carry out planned consumption programs are balanced against other needed commodities and goods which may be paid for with ECA dollars. A final figure as to the sum which will be used for the purchase of fats is then determined. Because of developments since the original country proposals as to the use of ECA dollars were made, the sums that are finally spent may be quite different from those proposed at the beginning of the current fiscal year. With good harvests and the increased slaughter of livestock in Europe, the over-all reduction in ECA funds available to ERP countries, and the effects of devaluation on internal price levels, U.S. exports of lard, vegetable oils, and oilseeds in 1949-50 may be substantially smaller than in 1948-49. Certainly, U.S. exports of these products to the countries surveyed will be less than their estimated needs originally indicated.

Kinds of U.S. fats, oils and oilseeds desired by Western Europe

Soybeans and soybean products: Great interest was shown in soybeans and soybean products in all the ERP countries visited. Plans in the summer of 1949 called for imports in 1949-50 of soybeans, soybean oil, or meal by all countries except the United Kingdom.

There are several reasons for this widespread interest: (a) The price of American soybeans, especially the oil fraction, appeared low on the basis of prospective prices for the 1949 crop. The later substantial currency devaluation in Denmark, Western Germany, and The Netherlands in relation to the dollar may have altered this. A 30.5 percent devaluation means a 44 percent higher price in terms of a country's currency for goods bought at the same dollar price. (b) Supplies of soft oils needed in the manufacture of European margarine, and for table or cooking oils (particularly in the Southern countries), are in relatively shorter supply than the hard oils such as coconut and palm. The primary reasons for this are that before the war Europe imported large quantities of Manchurian soybeans which have not been available in recent years; and large quantities of peanuts and peanut oil, formerly imported from India, have not been available in as large quantities as formerly because of changed conditions in the food and economic situation in that country. The result has been a shortage of soft oils which has not been filled by the increased production of rapeseed and similar oils. Accordingly, soybean oil and to a lesser extent peanut and cottonseed oils have been sought from the United States to supplement domestically produced oilseeds and oils. (c) European countries have a large oil crushing industry, most of which appears to have survived the war. Most of the countries import oilseeds in large quantities for this industry. Naturally, as a part of their national recovery programs they wish to increase oilseed supplies. American soybeans provide a raw material that is processed chiefly in solvent plants. The allowed operating margins appeared high in relation to American costs but because these plants are running below capacity it is difficult to judge as to the reasonableness of the margins. (d) These countries also desire to expand livestock production and want oilcakes and meals to increase supplies and improve the quality of their feeds. Because a bushel of soybeans is high in meal and low in oil, yielding 49 or 50 pounds of meal and 11 or 10 pounds of oil with solvent processing, soybeans are especially preferred for building up feed supplies. Among the countries visited it appeared that Denmark, The Netherlands, and the United Kingdom would make the best use of high protein feeds because of the standards of feeding practices on their farms. The efficiency of use would decline from North to South. The worth of oil cakes or meals is higher in some countries than others. Obviously, the countries which attach the most importance to oilseed meals are in the strongest position to bid for U.S. oilseeds. Countries in which the worth of cakes and meals is lower can use the oils to better advantage than they can use the oilseeds. Insofar as this lower efficiency in the use of oilcakes and meals is reflected in lower prices, consideration is given to this when deciding how limited dollar funds may be spent most economically.

The tentative 1949-50 requests for procurement did not provide for large imports of oilcakes and meals from the United States. The 334,000 tons is equivalent to about 13,300,000 bushels of soybeans. However, because of lower price and the preference which farmers in some countries are said to have for cottonseed cake a large part of this may be cottonseed meal rather than soybean cake or meal.

Peanut and cottonseed oils: The other food oils or oilseeds which might be bought in the United States are peanut oil, peanuts, and cottonseed oil. Based on prewar imports these countries were never large users of cottonseed oil, largely because soybean oil was cheaper. This year (1949) Europe has bought considerable quantities of peanuts and peanut oil in the United States. Technically, this oil fits in well with their needs.

However, the general feeling in the countries surveyed was that peanut oil was relatively expensive.

Exports from United States

Soybeans and soybean products in 1948 and 1949: The United States in 1948 exported 195,000 short tons of soybeans to all countries, including 6 of the 8 countries covered in this survey, namely: Belgium, Denmark, France, Western Germany, Italy, and The Netherlands (table 1). To these 6 countries there was shipped 100,000 tons, or slightly more than half of the total. During the first 9 months of 1949, total exports of soybeans from the United States went up to 565,000 tons and these same 6 countries took 321,000 tons (10,700,000 bushels), or 57 percent of the total.

Exports in the first 9 months of 1949 to these 6 countries, with the United Kingdom added, totaled about 67,000 tons of soybean oil, or somewhat under 50 percent of the total U.S. exports of 143,000 tons (table 1). With 15 percent extraction the 67,000 tons of oil is equal to 14,800,000 bushels of soybeans. Thus on a combined basis these countries accounted for the equivalent of approximately 25,500,000 bushels of soybeans in the first 9 months of 1949, or a volume equal to about one-ninth of the estimated U.S. production of soybeans in 1948 or 1949. However, the United States exported to all countries in the January-September 1949 period only 91,000 tons of oil meal and cake (table 5) which was equal to about one-seventh of the total meal equivalent (615,000 tons) of that 25,500,000 bushels of soybeans.

Denmark and The Netherlands, of the 8 countries surveyed, were the only countries to which soybean cake and meal were exported from the United States in 1948. This amounted to 9,400 tons, or 22 percent of total U.S. exports of cake and meal (table 6). In the first 9 months of 1949, France also purchased soybean meal and these 3 countries--France, Denmark, and The Netherlands--took 38,400 tons of soybean cake and meal by the end of September. Also, in the first 9 months of 1949, the United States exported to Denmark and France about 7 times as much cottonseed and linseed cakes and meals combined as was shipped in the comparable period of 1948 to these two countries and The Netherlands. Denmark took most of the cottonseed meal and France most of the linseed meal. The Netherlands took only soybean cake and meal.

There were 38,400 tons of U.S. soybean meal and cake shipped to the 8 countries studied in the first 9 months of 1949, although actually this quantity went only to France, The Netherlands, and Denmark, as pointed out above. This quantity is equivalent to about 1,600,000 bushels of soybeans--only 11 percent of the bean equivalent (14,800,000 bushels) of the U.S. soybean oil exported to the 8 countries in the same period. This small proportion reflects the greater European need in the 1948-49 crop year for liquid oil than for soybean meal. But as livestock numbers have increased the need has shifted and more protein feed is desired. This is expressed in a desire to import more soybeans and less oil.

TABLE 2. PRINCIPAL OILSEEDS AND VEGETABLE OILS (except soybeans): U.S. exports as seeds, oils, and in terms of oil equivalent to 8 selected European countries, and all others, January-September 1949

(Short tons)

Country	Cottonseed and cottonseed oil			Flaxseed and linseed oil			Peanuts and peanut oil			Total oil equivalent (Cottonseed, linseed, and peanut)
	Cottonseed	Cottonseed oil	Total (oil equivalent) (crude and refined)	Flaxseed	Linseed oil (crude)	Total (oil equivalent)	Peanuts	Peanut oil (Refined) and crude)	Total (oil equivalent)	
Belgium	-	417	417	-	-	-	10	7,472	7,476	7,893
Czechoslovakia	-	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	-	1,216	-	486	486
France	-	7	7	21,468	-	7,299	32,860	-	13,144	20,450
Germany (Western)	-	3,015	3,015	-	125	125	65,973	283	26,672	29,812
Italy	17	3,968	3,971	14,751	-	5,015	31,030	8,459	20,871	29,857
Netherlands	-	1,082	1,082	45,647	7	15,527	1,268	304	811	17,420
United Kingdom	-	4,092	4,092	-	-	-	6	-	2	4,094
Sub-total	17	12,581	12,584	81,866	132	27,966	132,363	16,518	69,462	110,012
All other countries	5,584	29,129	29,966	3,222	1,497	2,593	39,927	5,518	17,207	49,766
Total	5,601	41,710	42,550	85,088	1,629	30,559	162,290	22,036	86,669	159,778

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions.

TABLE 3. PRINCIPAL OILSEEDS AND VEGETABLE OILS (except soybeans): U.S. exports as seeds, oils, and in terms of oil equivalent to 8 selected European countries, and all others, January-September 1948 and total 1948

(Short tons)

Country	January through September, 1948										Total 1948			
	Cottonseed and cottonseed oil			Flaxseed and linseed oil			Peanuts and peanut oil			Total oil equivalent (cotton-seed, flaxseed, peanuts, and related oils)	Oil equivalent			
	Cotton-seed	Cotton-seed oil	Total (oil equiv-alent)	Flax-seed	Linseed oil	Total (oil equiv-alent)	Peanuts	Peanut oil	Total (oil equiv-alent)		Cotton-seed and oil	Flaxseed and oil	Peanuts and oil	Total
Belgium..........	-	220	220	-	1	1	1	-	1/	221	220	1	1/	221
Czechoslovakia....	-	-	-	-	-	-	3,331	-	1,332	1,332	-	-	1,332	1,332
Denmark..........	-	1,634	1,634	-	-	-	-	-	-	1,634	3,784	-	-	3,784
France...........	-	5,539	5,539	-	3,318	3,318	17,696	-	7,078	15,935	5,539	11,290	14,173	31,002
Germany (Western).	-	-	-	-	3,183	3,183	70,473	-	28,190	31,373	-	3,775	47,383	51,158
Italy............	2	-	1/	-	-	-	-	-	-	1/	377	-	-	377
Netherlands.......	-	-	-	-	2,211	2,211	-	-	-	2,211	-	5,712	-	5,712
United Kingdom....	-	-	-	-	3	3	-	-	-	2	-	3	-	3
Sub-total....	2	7,393	7,393	-	8,716	8,716	91,501	-	36,600	52,709	9,920	20,781	62,888	93,589
All other countries	4,298	4,531	5,176	421	3,656	3,799	37,165	334	15,200	24,175	7,224	9,741	30,722	47,687
Total.......	4,300	11,924	12,569	421	12,372	12,515	128,666	334	51,800	76,884	17,144	30,522	93,610	141,276

1/ Less than 0.5 ton.

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions.

It was observed that some of these countries, especially Belgium and The Netherlands, have very intensive horticultural industries such as the production of flowers and glass-house grapes. Apparently these industries have some form of slowly available nitrogen fertilizer for this purpose. A large Belgian plant grower reported that he used brewers' grains. If soybean meal proves satisfactory for supplying a gradually available source of nitrogen for certain specialty crops and if soybean meal should ever become a surplus commodity, this market should be investigated. It may seem questionable to suggest such uses where food is short but it is to be remembered that these horticultural specialties are very important enterprises in some countries, particularly in earning foreign exchange.

Soybeans and soybean products in 1949-50: Total U.S. exports of soybeans and soybean oil to this group of 8 European countries will likely be considerably lower in 1949-50 than in the 1948-49 year. Western Germany will take the largest quantities, and principally as oil because of the desire to maintain the present fairly-adequate ration and because of the relatively low worth of oilcake. Limited dollars go further when used to buy oil than soybeans. Also, Belgium, Denmark, and The Netherlands are likely to buy some soybeans and Belgium, Denmark, France, Italy, and The Netherlands some soybean oil. The countries which will buy the soybeans are those which place fairly high internal values on soybean meal and cake. This puts them in a stronger position when paying competitive prices for a commodity which yields 85 percent meal and only 15 percent oil.

Other oilseeds and vegetable oils in 1949-50: Fewer peanuts and less peanut oil will be sold in 1949-50 than in the preceding year, partly because less will be available in the United States. Such exports as will be made will go largely to Germany--to fill out the general requirements--and to Italy and France because of the greater need there for oil than for meal as indicated by the comparatively low prices for oil cakes and meals there. A high oil-content seed like peanuts better fits the economic picture than does the low oil-content soybean. Some cottonseed oil may replace the soybean or peanut oil mentioned above. (For U.S. exports of cottonseed, flaxseed, peanuts, and related oils for January-September 1949 and 1948 see tables 2 and 3.)

Animal fats in 1948 and 1949: Exports from the United States of animal fats to these 8 countries were mainly lard and inedible tallow both in 1948 and the first 9 months of 1949 (table 4). As in the case of vegetable oils, the movement of animal fats was at a much higher rate in 1949, with particularly sharp increases in inedible tallow. Also, of the total U.S. exports of animal fats the proportion going to these countries increased from 37 percent in 1948 to 42 percent for the first 9 months of 1949.

Thirty-five percent of the U.S. lard exports in the January-September 1949 period went to Germany and the United Kingdom. These two countries took 86 percent of the total for the 8 countries studied. This serves to emphasize the importance of Germany and the United Kingdom in the international market for U.S. lard.

Animal fats are not used in Europe as shortening in bread as they are in America. European bread is made without shortening. However, large quantities of various pastry products are consumed and considerable quantities of shortening are required in their preparation. Butter is used in the highest-quality pastries but in most countries it either is not available in adequate quantities for this purpose or is too expensive. So large quantities of other fats must be used. Animal fats are used extensively in Europe for frying both at home and commercially. For example, the "fish and chips" shops in England have first claim on the domestic supply of beef fats which are collected and distributed to these shops. In addition to use for shortening and frying, large quantities of fats are consumed directly. For this purpose butter is rated highest and sells at a substantial premium. Estimates of production of lard and tallow on the Continent do not measure the actual production of these animal fats because a large proportion of the beef and hog fats is not rendered in slaughter houses but is sold by the butchers to consumers directly, either rendered or unrendered. In some of these countries lard is used for spreading on bread. This is particularly true of Germany and Czechoslovakia and may be more generally true in the rural areas of other countries than is generally recognized.

The hog which the Continental Europeans eat is fatter than Americans have been led to believe from reports on the Danish hog sides furnished to the United Kingdom. Even in Denmark the fatter hogs are retained for home consumption. Pork cuts carrying heavy proportions of fat can be seen in the butcher shops of all these countries. In Italy it was reported that hogs under 400 pounds were discounted in price. European peasants use large quantities of fat back in soups and other foods. This consumption of fat must be reckoned with in any consideration of the food fats and oils problem on the Continent.

Animal fats production has increased appreciably in Europe. In some of the countries studied there actually will be surpluses of lard to sell to neighboring countries. With more ample feed supplies, not only hog numbers but also slaughter weights of both hogs and cattle have increased. In early October, after currencies were devalued, rendered lard was displayed in some of the stores in The Netherlands and Belgium at prices only slightly higher than the retail price of lard in the United States.

The increase in European domestic slaughter fats naturally will curtail the demand for American lard. But this does not tell the whole story for the following reasons: (1) The quality of American lard is considered to be better than that of most European lard. (2) Outside of England, an austerity psychology is not apparent in the countries surveyed, except possibly in The Netherlands. The prevailing psychology is to live better. In Europe this means considerable emphasis on foods. Fats, both for flavor and energy, are a part of this improved standard. (3) The incomes of the mass of people, both in city and country, are not high. This makes for personal economy. The level of income does not permit fat purchases at the prewar level of consumption in many of these countries. Rather, it forces emphasis on

TABLE 4. ANIMAL FATS (edible and inedible): U.S. exports, by kind, to 8 selected European countries, and all others, 1948 and January-September 1948 and 1949

(Short tons)

Country	Lard			Edible tallow			Other edible fats and greases 2/			Inedible tallow			Other inedible fats and greases 3/		
	Total 1948	January through September		Total 1948	January through September		Total 1948	January through September		Total 1948	January through September		Total 1948	January through September	
		1948	1949 1/		1948	1949 1/		1948	1949 1/		1948	1949 1/		1948	1949 1/
Belgium	6,418	3,640	5,497	-	-	73	-	-	560	2,325	1,135	8,841	312	211	4,628
Czechoslovakia	1,033	877	-	-	-	-	-	-	-	-	-	2,704	-	-	-
Denmark	-	-	266	-	-	-	-	-	-	-	-	221	35	-	12
France	16,488	11,913	3,461	-	-	-	-	-	-	5,018	1,936	6,865	82	53	181
Germany (Western)	29,454	22,001	48,637	-	-	5,869	-	-	16	1,664	1,087	11,988	1,244	625	5,569
Italy	1,249	742	2,411	-	-	73	-	-	38	741	276	26,888	146	48	1,193
Netherlands	7	4	1,665	269	269	128	-	-	5	2,029	1,907	3,760	2,056	1,096	3,158
United Kingdom	16	6	35,167	-	-	-	-	-	-	-	-	226	2	1	3
Sub-total	54,665	39,183	97,104	269	269	6,143	-	-	619	11,777	6,341	61,493	3,877	2,034	14,744
All other countries	81,252	60,358	141,553	419	365	4,130	436	37	1,088	22,220	15,276	82,224	12,339	4,928	15,431
Total	135,917	99,541	238,657	688	634	10,273	436	37	1,707	33,997	21,617	143,717	16,216	6,962	30,175

1/ Preliminary.
2/ Includes oleo oil, oleo stock, and oleo stearin.
3/ Includes wool grease, stearic acid, oleic acid (red oil), grease stearin, neat's foot oil, lard oil, beef suet, currier's grease, degras, fatty acids (other than oleic and stearic), hog grease, tanners' leather grease, neat's foot stock, pig's foot grease, ring grease, snodotte acids, sod oil, whale blubber grease, horse fat (dry salted), bone grease, bone oil, goose oil, hydrofol glycerine, nyes oil, porpoise jaw oil, seal oil, staninless oil, turtle oil, and wool oil.

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions.

lower-cost foods including the cheaper food fats. And finally, (4) European countries may continue to be a fair market for U.S. lard exports because of their inability to buy in the United States all the oilseeds and vegetable oils which they would like to buy. This is simply an expression of the basic axiom that the world consumes what it produces.

Under the price structure prevailing in the summer of 1949, the cheapest of the fats bought by most consumers was margarine. With lower prices on slaughter fats developing in some countries, these may now be cheaper than margarine. In an effort to hold the cost of living down and to forestall further labor unrest, all of these countries may be influenced by the low price of U.S. lard in planning food purchases with ECA funds. In some countries, however, the low price of American lard is not now reflected in the internal prices. If the full beneficial effect of low-cost American lard is to be felt in domestic food costs, the policy of raising the price to the high internal level of competing fats would have to be changed. In the next few months as the full effect of the devaluation of the various currencies is reflected in higher costs of imported goods, this will be particularly important.

The high internal price policy does not apply to the United Kingdom where, operating under the "equal shares" doctrine, rationed quantities of fats are sold at very low prices. Before the recent devaluation, prices were at the equivalent of 30 U.S. cents a pound for butter, 20 cents for lard and cooking fat, and 17 cents for margarine. Since devaluation, the U.S. equivalent prices are 30 percent lower, that is, 21 cents for butter and 14 cents for lard. In other words they still cost the English consumer the same prices in shillings and pence as they did prior to devaluation. These low consumer prices involve rather large subsidies, particularly in the case of butter. On the basis of the allowed margins there was little or no subsidy involved in the retail price of American lard. These subsidies are a part of the British system of holding down living costs in order to keep wages and costs lower than they would be otherwise. While none of the Continental European countries studied are expected at this time to follow the British system, they nevertheless are forced by circumstances to keep a watchful eye on the cost of living. The principal tool most countries now have available to do this is to keep supplies of the cheaper foods as abundant as possible.

Lard in 1949-50: The principal buyer of lard among this group of countries will be Western Germany. The total quantity will be influenced by the total dollars for fats allocated from ECA and GARIOA funds and the proportion of these allocations used for vegetable oils and oilseeds. Fats have a higher priority for these funds in the case of Western Germany than in the other countries. Also, the established position of lard in the German diet and its low cost in the United States will contribute toward rather high percentage of the total funds being used for lard. Belgium and Italy may take small quantities. France may take small quantities if import licenses are granted. The United Kingdom likely will attach such a high priority to

TABLE 5. OIL CAKES AND MEALS: U.S. exports to 8 selected European countries, and all others, January-September 1949

(Short tons)

Country of destination	Cottonseed	Linseed	Peanut	Soybean	Other	Total
Belgium	-	-	110	-	-	110
Czechoslovakia	-	-	-	-	-	-
Denmark	91,383	13,759	6,010	16,951	-	128,103
France	2,878	28,041	-	15,487	-	46,406
Germany (Western)	25	-	-	-	-	25
Italy	-	-	-	-	-	-
Netherlands	-	-	-	6,009	-	6,009
United Kingdom	-	-	-	-	-	-
Sub-total	94,286	41,800	6,120	38,447	-	180,653
Other European countries	17,272	3,169	11,954	6,167	-	38,562
All other countries	144	423	30	46,525	30	47,152
Total	111,702	45,392	18,104	91,139	30	266,367

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions.

TABLE 6. OIL CAKES AND MEALS: U.S. exports to 8 selected European countries, and all others, January-September 1948 and total 1948

(Short tons)

Country of destination	Cottonseed	Linseed	Peanut	Soybean	Other	Total	Total 1948
Belgium..........	-	-	-	-	-	-	-
Czechoslovakia....	-	-	-	-	-	-	-
Denmark..........	-	840	1,111	-	-	1,951	16,577
France...........	-	10,509	-	-	-	10,509	18,328
Germany (Western).	-	-	-	-	-	-	-
Italy............	-	-	-	-	-	-	-
Netherlands.......	-	7,875	-	-	-	7,875	15,678
United Kingdom....	-	-	-	-	-	-	-
Sub-total....	-	19,224	1,111	-	-	20,335	50,583
Other European countries.......	-	2,216	1,561	-	-	3,777	3,778
All other countries	16	1	-	31,652	-	31,669	35,198
Total.......	16	21,441	2,672	31,652	-	55,781	89,559

Dash (-) means none.

Office of Foreign Agricultural Relations - Fats, Oils, and Rice Division - Compiled from official records of the Bureau of the Census. These data do not include shipments from the continental United States to noncontiguous territories and possessions the building up of the dollar reserve, which it must maintain as "banker" for the sterling area, that it will not use dollars for the purchase of lard even though the English people like the small quantities now being distributed and have been a major consumer of our surplus lard supplies in years past.

Edible tallow, oleo oil and stock, and stearine: The only large volume of edible tallow exported in January-September 1949 was to Germany (table 4). There was none exported to these countries in 1948. The only sizeable purchase of oleo products was by Belgium. Based on comments made by some trade people, small quantities of edible beef fats might be sold in several of the countries studied. Inasmuch as the price of tallow in Argentina, the prewar source of supply, was said to be high, producers of these fats in the United States may want to test out this market through their foreign branches and agents.

Inedible tallow: The emergence of a considerable surplus of inedible tallow in the United States greatly surprised the European fat trade. And this surplus was greatly welcomed. The 8 countries surveyed took 61,500 tons, or 10 times as much U.S. inedible tallow in the first 9 months of 1949 as they did in the comparable period of 1948 (table 4). Nearly half of the total U.S. exports of inedible tallow in the first 9 months of 1949 went to these countries, though only small quantities were shipped to Denmark and the United Kingdom. These heavy purchases reflect: (1) availability of ECA dollars; (2) a very low price for U.S. tallow; and (3) the desire to increase supplies of soaps and other industrial products.

European soap stocks are derived from oilseed refining, the lower grades of palm oil, fish oil, tallow and other animal fats. In some countries, especially Belgium, use of linseed oil was reported in the manufacture of "soft" soap but this product was said to be declining in importance. Recently soybean fatty acid is said to have been used for soft soap. The supplies of soap stocks in Europe are below prewar because of a smaller volume of vegetable oil refining and the diversion of much palm oil into food products. The soap situation has eased generally throughout Europe and most countries have abandoned rationing although prices for soap are high.

If supplies of inedible tallow are available at what are considered to be reasonable prices, these countries may take substantial quantities in 1949-50. Inedible tallow must compete with the low grade, high acid, palm oil and the firms which produce and merchandise soap will be greatly interested in the prices of U.S. inedible tallow and grease. The distribution of imports probably will not differ much from the early 1949 pattern with Italy, Germany, and Belgium the largest importers, and France and The Netherlands somewhat smaller.

There was some complaint about the quality of American tallow and it is likely that the demand may be for a somewhat higher quality than was purchased in 1948-49. Some of this tallow was shipped in bulk tanks as are vegetable oils. The Belgian experience with this method was said to be satisfactory.

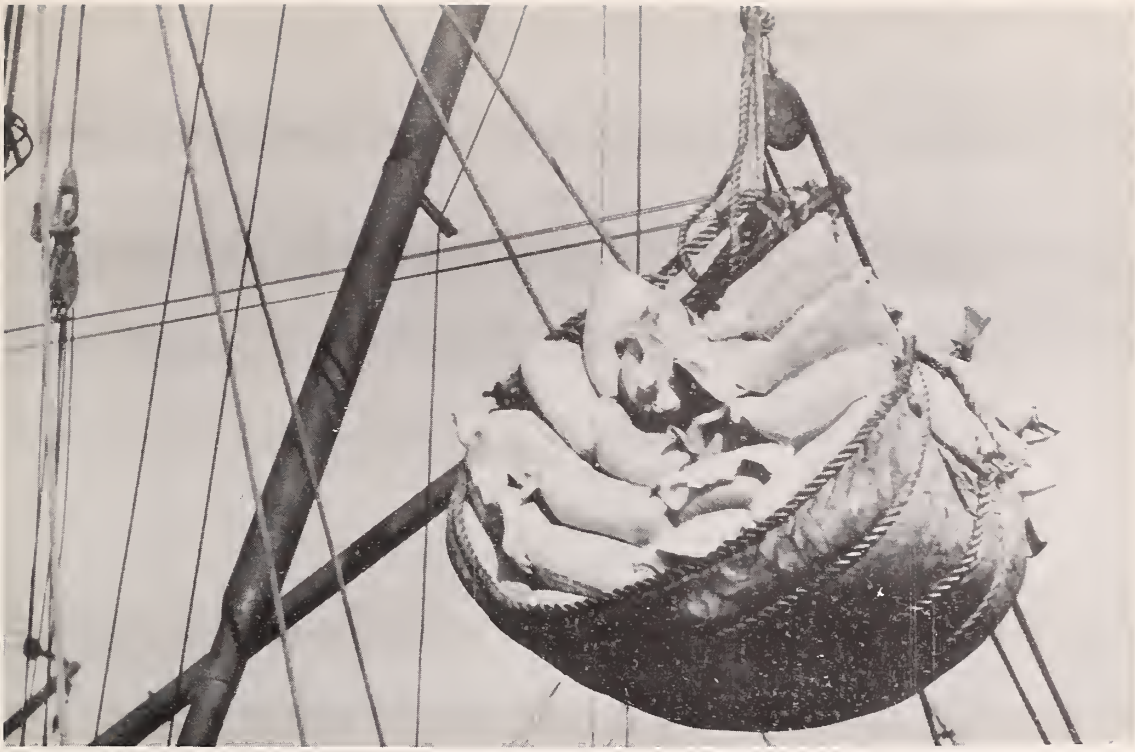

FIGURE 3. - United States soybean meal bound for Europe. In the first 9 months of 1949 the countries included in this study, primarily Denmark, France, and the Netherlands, took 68 percent of total United States exports of oil cakes and meals.

FIGURE 4. - Lard from the Corn Belt being loaded on a ship destined for Western Europe. United States lard has a good reputation among Europeans.

FIGURE 5. - Drums of United States soybean oil being loaded for shipment to Western Europe. During the first 9 months of 1949 the seven ERP countries included in this survey purchased United States soybean oil amounting to the equivalent of 14,800,000 bushels of soybeans.

This method of shipping lowers packaging and freight costs and would seem to be an important development for countries which buy in bulk quantities.

Other inedible fats and greases: Exports from the United States of other inedible fats and greases in 1948 totaled 16,200 tons, of which 3,900 tons--or nearly one fourth--was sent to 6 of the 8 countries considered here (table 4). Total exports rose sharply in 1949 when in the first 9 months the volume reached 30,200 tons of which nearly half was shipped to the same group of countries. Most of it went to Germany, Belgium, and The Netherlands, presumably for use in soap or for other industrial purposes. At low prices, exports of this commodity will be continued.

Fatty acids (vegetable origin): The bulk of fatty acids exported from the United States in the first 9 months of 1949 went to Belgium, Italy, and Germany. It appears probable that exports to these countries are likely to continue.

PROSPECTS FOR U.S. EXPORTS TO INDIVIDUAL COUNTRIES

United Kingdom 7/

The United Kingdom is not interested in U.S. soybeans because of access to oilseed resources in the sterling and other non-dollar areas. Also because of a policy of holding down consumption of oil meals to the quantities that can be bought in sterling or other non-dollar areas under trade agreements. Whether the United Kingdom will buy enough U.S. lard to maintain domestic distribution at the rate initiated in late July 1949 is problematical. No U.S. fats, oils, or oilseeds were included in her original OEEC requests for 1949-50. The new conversion rate on the pound sterling 8/ would necessitate a subsidy at the present ceiling price. Some small quantities of lard will be available in Argentina and on the Continent, although at higher than U.S. prices. The long-run market for U.S. lard in the United Kingdom will depend on her direct dollar earnings and her ability to convert general exports into dollars. In view of the economy of U.S. lard as a food fat, and the apparent desire of the British consumers to buy it, strong efforts should be made to keep it on the British "shopping list" for U.S. products.

Denmark 9/

The only U.S. fat-oil-and-oilseed products likely to be sold in Denmark are soybeans and soybean and cottonseed cakes. Soybeans are desired as raw material for the processing industry, for the soft oil for margarine, and for the oil meal. Additional oilcakes are wanted in order to maintain and expand further the livestock industries.

7/ Based primarily on conditions noted from July 25 to 30, 1949.

8/ The British pound sterling, formerly equivalent to $4.03 (U.S.), was devalued September 18, 1949, to $2.80.

9/ Based largely on observations from August 1 to 5, 1949.

Prices prevailing on oil and meal before devaluation 10/ permitted American soybeans to be handled profitably. But devaluation has raised the internal price of imported oilseeds. In Danish money oil meal costing $70 a ton was equivalent to about 350 kroner in August and now, since devaluation, to about 500 kroner. Inasmuch as prices of livestock and livestock products cannot be expected to rise in the short run, profits from livestock feeding, the basis of Danish agriculture, will be reduced and imports of feed and oilseeds from the United States will be curtailed. The present (early October) heavy marketings of Danish cattle in Belgium may reflect a quick adjustment to this fundamental change in Danish price relationships. Despite the adverse effects of devaluation on her livestock economy, Denmark will still need to import some soft oil for the extensive margarine industry there.

The Netherlands 11/

The Netherlands, if original plans are carried out, should be in the market for fairly large quantities of American soybeans, flaxseed, and peanuts. The food oils are desired for the same purpose as in Denmark, the manufacture of margarine. Before devaluation 12/ price relationships permitted profitable importation of soybeans, the oilcakes from the crushings being absorbed by the livestock industry.

The devaluation and the consequent rise in cost of U.S. oilseeds in Dutch money may reduce the planned takings, but soft oil will still be needed to go with the harder coconut oil in margarine production, even though domestic production of rapeseed this year is expected to be more than twice that of 1948. The protein supplements will still be desired although the increase in domestic prices will make their use less profitable. In August the "theoretical" domestic price of soybean cake was 24.5 guilders per 100 kilos, or the equivalent of $83.80 per short ton. Since devaluation, assuming the price in U.S. currency has remained the same, it would be up to 35.3 guilders per 100 kilos in terms of Dutch money. In August, dressed hogs were priced at 2.05 guilders per kilo (24.5¢ per pound) and barley at 23 guilders per 100 kilos ($2.75 per 100 pounds).

Belgium 13/

Belgium, which also devalued its currency unit recently, 14/ has the freest economy of any of the 8 countries included in this study. There will

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10/ The Danish krone, formerly equivalent to 20.8376 cents (U.S.), was devalued September 18, 1949, to 14.4778 cents.

11/ Based on observations of August 6 to 10 and October 1 to 3, 1949.

12/ The Dutch guilder, formerly equivalent to 37.6953 cents (U.S.), was devalued September 20, 1949, to 26.3158 cents.

13/ Based on observations of August 11 to 15 and October 4 to 7, 1949.

14/ The Belgian franc, formerly equivalent to 2.2817 cents (U.S.), was devalued September 21, 1949, to 2.0 cents.

be a market for U.S. fats and oilseeds in Belgium if the Belgian businessmen believe these commodities can be resold at a profit either in Belgium or foreign countries. The Belgian government is permitting such transactions. Products which can be sold to Belgium likely will include moderate quantities of lard, small quantities of edible tallow, fairly large quantities of inedible tallow, and modest quantities of soybeans and vegetable oils according to prices and quality. They also will include fatty acids of vegetable origin.

Belgium has a higher consumption of fats now than before the war with the consumption of butter surprisingly high, being much above that of margarine. It has a rational system of retail pricing, but the costs of distribution appear excessive because of the many little retail shops and the large number of wholesalers who supply them.

The sharp decline in domestic hog prices, and the somewhat higher costs of U.S. feeds caused by modest devaluation, may cause the number of hogs in Belgium to decline.

Italy 15/

Italy, whose unit of currency has been devalued moderately, 16/ has the second freest economy among the 8 countries visited. The volume of U.S. exports to Italy, like Belgium, will depend on what Italian businessmen believe can be handled profitably. They will include small quantities of lard, perhaps some soybeans and other oilseeds, probably fairly large quantities of vegetable oils according to costs, and fairly large quantities of inedible tallow, grease, and fatty acids of vegetable origin. The reason for Italy's wanting to import edible vegetable oils is to procure an inexpensive oil to blend with the lower grades of olive oil. The olive crop this year, expected to yield nearly 200,000 tons of edible oil in 1950 as compared with 132,000 tons in 1949, will ease the domestic oil situation in 1950. Because so much green feed is available in the important dairy districts, the demand for oilseed cakes does not seem to be as great as in the North European countries. Soap production has been low but the distinct trend toward improving living standards in Italy creates a demand for fat materials to increase soap supplies. These are desired also for other industrial uses.

France 17/

The market in France for U.S. fats, oils, and oilseeds will depend on French Government policies which, in turn, will be strongly influenced by the semi-official organization of the fats and oilseeds trades known as the

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15/ Based on observations from September 1 to 7, 1949.

16/ The Italian lira, formerly equivalent to 0.174 cents (U.S.), was on September 19, 1949, allowed to depreciate in regulated open market trading to 0.158 cents.

17/ Based on observations from September 9 to 17, 1949.

GNAPO. Since the war the GNAPO has exercised a monopoly over the imports of all fats, oils, and oilseeds into France. It is unlikely that France will want U.S. lard but that country probably will take some inedible tallow, and oilseeds and cakes. There is now virtually no rationing of fats and oils in France. The domestic price of lard is high in relation to U.S. prices and to the price of French margarine. The internal prices of vegetable oils are also high. The price of refined liquid oils of 192.5 francs per kilo is equivalent, at the new dollar rate of 350 francs to the dollar, 18/ to 24.9 cents a pound. The price of soybean meal of 20,809 francs per metric ton is equivalent to about $54 a short ton in terms of U.S. currency. Despite the low prices on oil meal, these prices will cover the present cost of American soybeans. Compared with pre-devaluation there will be less mark-up on oilseed imports used by the equalization fund to offset losses on other oilseed transactions, such as the high support price on domestic rapeseed.

The consumption of fats which declined after soap and margarine were derationed is becoming more nearly normal. The high butter price caused by the late summer drought encourages the use of cheaper substitute fats, largely margarine. The shorter supply of feed grains and of potatoes, lower prices on hogs, and the higher domestic prices on imported feeds as a consequence of devaluation likely will check the expansion in hog numbers and the supply of slaughter fats and greases.

Czechoslovakia 19/

The fat supply in Czechoslovakia apparently is shorter than in any of the other countries included in this report. The basic ration for a normal consumer was only 780 grams per month, or about 21 pounds a year. This may be supplemented by purchases at very high prices in the "free market." Self-suppliers and certain special groups have higher rations. The pricing system appears to be logical. The price of butter is highest and that of margarine lowest, with lard intermediate. The high lard price reflects scarcity in relation to demand, the fact it is 100 percent fat, and the esteem in which lard is held in Central Europe.

Supplies of fats will increase with the good harvest, increased production of hogs, imports of oilseeds from the Balkans, and probably continued imports of butter from Russia. A feature of the hog expansion program is the considerable number of hog feeding stations being developed on state farms.

There is probably a market in Czechoslovakia for some U.S. inedible tallow because the price is low and soap is scarce in that country. Lard probably could be sold to Czechoslovakia if its trade relationship with the

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18/ The French franc, formerly equivalent to 0.368 cents (U.S.), was devalued September 19, 1949, to 0.286 cents.

19/ Based on observations from September 27 to 29, 1949.

United States were normal. Nevertheless, some U.S. lard may find its way into the country by the devious routes which trade with Central Europe takes.

Western Germany 20/21/

Western Germany should be a market for large quantities of U.S. lard, tallow, oilseeds, vegetable oils, and fatty acids of vegetable origin in 1949-50. Present plans call for more emphasis on vegetable materials than on animal fats but actual takings will be influenced by available supplies and prices in the United States as compared with other countries. As much fat as possible will be bought outside the United States under trade agreements but actual supplies and the conditions of the various clearing accounts with the supplying countries may force larger purchases in the United States.

The present per capita fat ration of 1125 grams per month for the "normal consumer" is equal to about 30 pounds annually. This is far below the prewar consumption rate, and under present price and income levels it is believed that about 1500 grams a month (40 pounds annually) would be taken if there were no rationing. The pricing system is rational except that lard is priced high in relation to either butter or margarine. This high price in part reflects a high demand for a limited supply but it reflects the policy of maintaining the internal wholesale price at 2.6 marks per kilo (28 cents per pound). The difference between 2.6 marks and the import price goes into an equalization fund used in part to subsidize the price on bread.

In view of the likelihood that German prices soon will be freed and because there is currently a strong demand for meats and fats in relation to supplies, hog production in Germany probably will expand up to the limits of available feed supplies. Grain crops were good this year but the potato crop was below that of 1948. Imports of feed grains will depend on the availability of U.S. funds for this purpose and the supplies which available funds allow to be bought in other areas. The desire to expand livestock production creates a demand for imports of oilseeds.

20/ Based on observations of September 19 to 26 and 30, 1949.
21/ See footnote 6.

LONG-TIME EXPORT PROSPECTS

As long as dollar-grant funds are available these countries, as a group, will continue to import sizeable quantities of U.S. fats, oils, and oilseeds. The emphasis will be on oilseeds, vegetable oils, and tallow, but some lard also will be imported. If aggressive steps are taken to merchandise lard effectively and to break down the barriers to its importation and domestic sale, the total volume might be increased over current prospects.

When the ECA period ends in mid-1952 greater difficulties will be experienced. These countries have difficult dollar exchange positions and it will not be easy for them to earn the dollars needed to maintain the present level of imports of U.S. goods. All these countries plan to build up home production of fats and oils, or to develop further the sources of supply in non-dollar areas. This is a perfectly natural development and is in line with the prewar situation when Europe bought a larger proportion of its supplies of agricultural origin outside of the United States than it has in the postwar years. The present situation of high demand for U.S. fats, oils, and oilseeds is based on 4 factors: (a) availability of supplies in the United States; (b) lack of adequate supplies in non-dollar areas; and (c) the ECA program; and (d) lower prices on many items in the United States than elsewhere.

The long-time prospects will depend primarily on 3 factors: (1) production and supply trends in Europe and other non-dollar areas; (2) availability of dollar exchange to European countries; and (3) the level of living which these countries can afford for their expanded populations--now 10 percent higher in the ERP countries than before the war.

1. Production and supply prospects outside the dollar areas

Europe's domestic production of oilseeds will be continued at high levels under present conditions but will likely diminish in importance if overseas supplies increase. European oilseeds provide oils at high cost. In most countries last summer there were rumors of purchases of soybeans in Manchuria and North China. Possibly some small quantities were purchased. These sales are likely to increase gradually as conditions become more settled. Manchuria and China will want to acquire western goods, and soybeans is one of their better means to earning the needed exchange. As the United Kingdom liquidates its wartime debts to India and Egypt, these countries may be more anxious to sell oilseeds--Indian peanuts and Egyptian cottonseed, or the oils from them.

While conditions in Indonesia have been unsettled, it is likely that solutions will be found to the present difficulties and supplies of Indonesian vegetable oils will gradually increase. Southeastern Europe can produce sunflowers and soybeans. All the European countries with territorial interests in Africa are carrying out plans of colonial development which involve vegetable oils or oilseeds, primarily palm oil or palm kernels in the tropical areas, and peanuts and sunflowers in the temperate areas. While the British efforts for large-scale peanut production have been disappointing, Africa has large vegetable oil producing resources. Palm oil from the Belgian Congo seems to be in fairly easy supply. The requirements for an expanded output of palm oil are: (a) the furnishing of adequate trade goods to the native producers; (b) the increase in scientific knowledge as to better extraction methods and the demonstration of these methods to producers; (c) the expansion of plantation-type operations in some areas; and (d) improved transportation facilities. The qualifications of the European personnel available to work in such areas to plan and develop programs along these lines should not be underestimated, and certain countries have plans to train additional personnel.

In South America, Brazil and other countries have oilseed resources for development. Trade with Argentina, not only in oilseeds but also in feeds, has an important bearing on European supplies. These prospects are uncertain at the moment but in the long run trade with Argentina will depend on comparative profits as between wheat and flaxseed or corn and sunflowers.

All this adds up to the conclusion that supplies of vegetable oils available to Europe outside the dollar areas will gradually increase. The crucial situations as far as supplies of oils are concerned are the non-availability of Manchurian or Chinese soybeans, and the greatly reduced availability of Indian peanuts and Indonesian palm oil, as compared with prewar years.

Indigeneous slaughter fat output in Europe will expand because, as discussed above, Europe is increasing her livestock population. However, it is not likely that livestock numbers--and, consequently, slaughter fat production--will soon reach the prewar level for the following reasons: (a) the level of crop production can be restored only gradually because of wartime soil depletion and shortage of manures; (b) there will be pressure to raise more bread grains, particularly when dollar aid is reduced; and (c) there will be continued difficulties in acquiring supplies of imported feed grains and concentrates, especially oilcakes and meals. The ECA program has provided great temporary relief in this respect. Feed requirements, particularly for protein, are less than prewar because of improvements in grassland and, to a lesser extent, the drying of green forages and better feeding practices. The introduction of hybrid corn into Southern Europe will increase feed resources and livestock production there.

Production of slaughter fats and butterfat, consumed as butter or as milk, will increase, but it may be years before the prewar level is attained, except in the case of milk. The importance of the decline in slaughter fats and butter in these countries is indicated in the data in table 7. These figures must be interpreted in the light of the manner in which these fats are used directly, as was explained previously.

Although it may be several years before the production of slaughter fats reaches the prewar level, the output of butterfat--which will be consumed in greater quantity as milk than as butter in comparison with prewar--will be up to the prewar level sooner. Production of lard and tallow in these 8 countries in 1948 was only 53 and 61 percent, respectively, of prewar output.

TABLE 7. LARD (including unrendered pork fats), TALLOW, AND BUTTER: Estimated production in 8 selected European countries, prewar and 1948

(1,000 short tons)

Country	Lard 1/		Tallow 1/		Butter 2/	
	1935-39	1948	1935-39	1948	1934-38	1948
Belgium	23.0	13.0	11.0	8.0	71.0	66.1
Czechoslovakia	48.0	35.1	12.5	13.2	3/4/14.0	5/
Denmark	19.8	12.0	22.0	15.4	200.5	133.4
France	132.0	110.2	65.0	45.0	6/ 233.0	187.4
Germany (Western)	330.0	99.0	80.0	22.0	331.0	248.0
Italy	171.0	126.7	33.6	27.6	48.5	44.1
Netherlands	54.0	14.0	13.2	8.6	108.0	78.3
United Kingdom	19.0	15.0	38.0	27.6	55.5	9.9
Total	796.8	425.0	275.3	167.4	1,061.5	7/ 767.2

1/ O.F.A.R. - Foreign Agriculture Circular, FFO 5-49, April 25, 1949. 2/ O.F.A.R. - data compiled by Livestock and Wool Division. 3/ Creamery production only. 4/ Average for period of less than 5 years. 5/ No basis for estimate. 6/ Average for the years 1935 and 1937. 7/ Sum of data shown.

To summarize the long-time production and supply prospects outside of dollar areas, it may be concluded that the potential increase in the availability of oilseeds and vegetable oils in non-dollar areas, and the rising output of indigenous animal fats in Europe, gradually will reduce the needs of these countries for U.S. fats, oils, and oilseeds. However, the probable slowness with which Manchurian soybeans will come back into world markets in anything like prewar quantities, the tendency to process oilseeds in increasing volume in producing areas, and the demands of Europe for high-protein feeds will be the basis for its wanting to continue to buy American soybeans. Also, the desire to increase fat consumption together with the high regard for the quality of American lard may tend to sustain imports of lard from the United States. American tallow, if it continues as a low-cost source of soap and industrial fat, will also attract interest. But the over-all necessity of relying on American supplies of fats and oils definitely will yield to the increased availability of supplies in non-dollar areas.

2. Availability of dollar exchange

How many dollars can Europe earn? The answer to this question is important in knowing to what extent the United States will find a market in Europe for industrial and food goods, including fats, oils, and oilseeds.

At present, consumption of American products is being maintained by ECA and in the case of Germany also by GARIOA funds. These are also the bases for the present large unfavorable balance of trade with the United States. It is clear that as long as one country supplies another country with goods, or dollars to buy goods, the recipient country will have an unfavorable balance of trade and the donor country a favorable one. When a country is receiving goods gratis from another country, the former is under less pressure to sell to the latter country or to earn exchange otherwise. The recipient country either will consume more at home or it will find markets where prices in terms of its own currency are higher. During the early stages of the ECA program such use of the expanding volume of goods was highly desirable in order to create more adequate supplies of goods as incentives to domestic populations and as a basis for acquiring needed supplies from non-dollar areas. Both of these methods of using increased output have operated to decrease the incentive to export European goods to the United States.

Since the postwar recovery of Europe began, the extensive system of bilateral trading, under which goods may be overpriced in terms of both of the countries' currencies, may provide much more attractive prices to a European manufacturer or farmer than do U.S. prices. Nevertheless, European goods which could be sold readily in the United States have been sold here for dollars, such as: Dutch flower bulbs, Swiss watches, Belgian palm oil, French wines, and Scotch whisky. The sale of services to tourists from the dollar areas also has been an important source of dollars for Europe.

It is axiomatic that once dollar aid is cut, nations needing U.S. goods will seek to produce more goods to sell in the U.S. market. Of the 8 countries surveyed, Belgium, Italy, and the United Kingdom have attained the highest proportions of their prewar exports to the United States. But even when the pressure to sell in the United States becomes greater, it is difficult to see how Europe can sell in the U.S. market a volume of goods that will match her present level of U.S. purchases. Some of the U.S. goods purchased recently are capital equipment which Europe may no longer need to buy in present volume when industrial expansion programs are completed. Also, direct sales to the United States may be supplemented by dollar exchange acquired by triangular or multilateral trade.

The United States, contrary to the view of many Europeans, imports a sizeable dollar volume of goods and services. The total value of such imports in 1948 was $10,500,000,000.22/ The imports consist largely of raw and semi-finished materials, foodstuffs, and manufactured goods, with a relatively small quantity of luxury or semi-luxury products and some specialized equipment items of particular merit. The volume of imports, since it consists mainly of raw and semi-finished materials, varies with economic conditions in the United States. Some of this $10,500,000,000 is most readily available to Europe through her exports of manufactured goods to the raw material producing countries, in fact it must be so earned as

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22/ Midyear Economic Report of the President, July 1949, page 39.

these countries will not sell raw materials for long unless they receive needed manufactured goods in exchange.

The inconvertibility of money hampers the free flow of trade. Instead of using available foreign currencies to buy where goods are cheapest, a country with an inconvertible currency tends to attempt to balance its trade with another country bilaterally. Often bilateral trade and payment agreements are drawn up between pairs of countries. The United States does not enter into such agreements and so a country with an inconvertible currency attempts to control its trade and payments with the United States by import licenses and exchange controls. In order to build up dollar credits to spend either in the United States or elsewhere in the dollar area, or to build up dollar reserves, such a country or group of countries, as the sterling area, attempts to have all the dollar earnings from sales of goods or services to the United States go into a central dollar account.

A key world currency is the British pound sterling. A substantial share of the world's business is done with it. The fact that sterling is not freely convertible into dollars tends to divide the world into two market areas--the dollar area and the sterling area. The United Kingdom as a large buyer of U.S. goods and services and as "banker" for the sterling area finds it necessary to use import licenses and exchange controls. In the summer of 1949, the United Kingdom met with difficulties in retaining her dollars. Sterling became available in certain markets at a rate below the official rate of $4.03 per pound. Means were found by various people to acquire goods in the sterling area with these cheaper pounds and to sell them for dollars. As a result of this and other factors the sterling area's dollar balance began to decline sharply. Confidence in the value of the pound declined. Finally the United Kingdom was forced to devalue the pound sterling in relation to the dollar.

The level at which the pound was fixed, and the tendency of the other devaluing countries to establish a cross-rate between the pound and the U.S. equivalent of $2.80, could readily hasten the day when currencies again will be convertible. It is at least the first step in the process. Should convertibility be achieved, it will tend to eliminate the awkward, trade-reducing, price-enhancing system of bilateralism which has grown up among the European countries and between them and many of their suppliers. Convertibility would also make it easier for a European country to acquire its share of the dollars made available by U.S. purchases of European goods and services, and by U.S. capital investments in Europe, which will likely increase. However, a country with direct contacts with suppliers of goods saleable in the United States, whether it is a colony or a member of the same governmental group, will have easier access to the dollars earned in the raw-material markets than will countries without such connections. In this respect Belgium, France, The Netherlands, and the United Kingdom have an advantage.

If the European countries are to earn their share of the dollars which American imports will provide, they must do so in large measure by indirect trade. Convertibility of currencies will facilitate the distribution of available dollars to the countries with adequate exports and the strongest needs for goods from the United States.

The sale of services to U.S. tourists is one of the easiest methods of earning dollars. The recent devaluation of certain European currencies in relation to the dollar will tend to expand the number of American tourists in Europe but not necessarily the dollar earnings from those tourists because fewer dollars are now required to pay for a given amount of services. European countries produce a number of kinds of specialized consumer goods, including food items, sales of which to the United States might be expanded if more effective merchandizing methods were used either by European exporters or by American importers interested in such trade. In spite of the various possibilities for increasing dollar earnings, the end of ECA financial assistance to Europe in mid-1952 will tend to reduce drastically European purchases of U.S. products including fats, oils, and oilseeds.

Progress has been made in reducing U.S. import duties as the result of agreements with other countries under the Trade Agreements Act adopted in 1934 and subsequently renewed from time to time. Its enactment and renewal reflect the fact that the American public appreciates the changed position of the United States in the economic world--from a debtor to creditor nation--as a result of two world wars. It is increasingly recognized that a creditor nation must accept on favorable terms foreign goods that it can use to advantage.

Barter transactions--the desirability of which has been suggested on both sides of the Atlantic--would not necessarily increase total trade. Barter transactions may be expedient in selling some goods to countries where currencies are badly disorganized and where both trade and currency movements are rigorously controlled. Only governmental agencies and international trading firms, those trading on both sides of the Atlantic, are able to conduct such trade. Most American firms--meat packers, oilseed processors, and grain exporters--are not in a position to handle such deals.

Barter transactions, in general, are a poor substitute for the usual procedures involved in international trade. Furthermore, the usual methods of trade avoid the fictitious prices which all too frequently creep into both sides of deals involved under barter. Barter between the United States and ERP countries, in order to move one or more of the commodities in U.S. surplus supply, might reduce the demand for other goods whether such trading is done by private interests or by governments.

3. The level of living which these countries can afford

The peoples of Western Europe desire a standard of living that is higher than that now prevailing. ECA aid has helped them greatly to improve their standards above the immediate postwar level. The desired standard would include a good diet with more fats and oils for food, soap, and industrial uses than many of them now have. The present per capita level of fat consumption appears to be below prewar in all countries included in this study except Belgium. But it is not an extremely low standard when all sources of supply are considered. The situation in England may suggest that fats are scarce but this is because supplies are so evenly distributed at low ceiling prices. The level of mass purchasing power is not high in any of these countries. The standard of living can rise in real terms only by increasing supplies. This can be accomplished by higher productivity and the elimination of trade and governmental practices which maintain false levels of prices and interfere with trade.

When financial assistance from the United States ends, in order to maintain present living standards in Europe domestic production there must increase by an amount equal to the portion of the U.S. aid now used for consumer goods. This increase in output may be either in goods for direct consumption or in goods needed for export to buy goods in the United States or in non-dollar areas.

Europe will make a strong effort to increase its supplies of such inexpensive and vital items as food fats and soap. It should not be overlooked that the level of production in any country, whether it be in agriculture or in industry, is not determined by national considerations. It depends on whether or not individual producers or firms find it profitable to produce. In the last year European farmers have expanded hog production because it paid them to do so and because feed supplies were abundant. If it does not pay to expand or even to maintain production, European farmers will be guided accordingly.

SUGGESTIONS FOR DEVELOPING EXPORT OUTLETS IN EUROPE

If the United States is to make the most of its position in respect to supplying fats, oils, and oilseeds to the European market, with its limited dollar resources, close attention should be given to the following points:

(1) The supply must be regularized and the goods must be effectively merchandized. Europe cannot be looked upon as a dumping ground for whatever surpluses it may be advantageous to try to dispose of there. In countries where government buying or controls determine volume, this approach is difficult but gradually these countries are developing a freer basis of trade. Packer branch houses in Belgium or Italy, for example, perhaps should be operated on the same basis as a branch house in, say, Rochester, New York, and kept supplied regularly with all the items which they can sell. The volume may not be large but no one will know what the potentialities are until an effective effort is made to determine them. In both these countries, and especially in Belgium, food stores now are stocked with branded food items from America, England, and other countries. The effort being made to sell a highly-advertised American soft drink in Europe is astonishing.

(2) Lard, as far as possible, should be identified to the public as U.S. lard because it has a good reputation, probably enhanced by the fact that it was sent to most of these countries in considerable quantities when their fat supplies were short. It may not always be feasible to identify the lard by consumer packaging because of the small quantities in which it may be sold on the ration and because of the small purchases in countries without adequate refrigeration. However, this does not prevent the use of posters in individual stores. Poor quality lard should not be exported from the United States. If the present system of lowest cost buying tends to lower quality, rigorous export specifications should be established.

(3) Efforts should be made to keep lard on the shopping list of food officials in the European countries where controls still exist. Lard is still a very cheap source of food. In going a step further, efforts should be made to have eliminated the various measures which restrict the importation of lard into some countries.

(4) Local agents or branch managers should attempt to obtain clearance from European food inspection services for the use of various anti-oxidants recently developed in the United States to improve the keeping quality of lard. In general, Europe wants refined lard with a natural lard flavor.

(5) Consideration should be given to arrangements for maintaining stocks of lard in areas where it can be sold on a barter or other basis to countries with which normal trading relationships are impossible.

(6) The possibility of developing markets for high-grade beef fats should be explored if such fats cannot be supplied by South America at reasonable prices. This could be done readily through U.S. packer representatives in Europe.

(7) The method of shipping inedible tallow and grease in bulk should be expanded as an economy measure. This manner of shipment is not so well adapted to lard because Europe wants American refined lard and distribution is facilitated by packing in the standard 52-pound boxes. There was some complaint that the quality of American tallow was poor. This probably traces to the system of buying on the basis of lowest bid.

(8) European oil crushers are well aware of the merits of U.S. soybeans. The international grain trade, including both U.S. and European firms, can readily merchandise them. There was complaint, however, in several countries as to the quality of U.S. soybeans received from the 1948 crop as well as to the "quality" of some of the "certificates final," particularly those issued at certain ports. It is obvious that purchases on grade without reference to "type samples" tends to encourage the export of line-grade quality. If this trade is to be permanent, development of sales on the basis of "type samples," as was done for wheat before the

war, with correspondingly higher prices, might be desirable. There is no economy in paying ocean freight on extraneous material. There was also complaint that soybean oil from the United States was "dirty" and not up to the European standard. There should be no difficulty in establishing standards and practices which would eliminate this complaint so far as it is justified.

(9) The possibility of getting fat pork cuts--fat backs and bellies--included in Western Germany purchases should be explored. At present prices these are close to lard in cost. Meat is relatively scarcer than fat and Western Germany is steadily buying small quantities of pork sides from surplus producing countries under trade agreements.

Perhaps one can summarize these points by saying that good merchandizing methods may be helpful in maintaining a sizeable volume of exports of U.S. fats, oils, and oilseeds to Europe. Fundamentally, the economic factors of supply, demand, and means of payment must be right for an export market to exist, but good merchandizing methods may help to develop it.